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Advice for Belgian Investors Facing Iran Uncertainty

[11. \(U\)](#) A Belgian financial weekly "Cash," published by the leading francophone business weekly Trends/Tendances, offered a cover story April 27 on how Belgian investors should position themselves given the US-Iran tension over nuclear proliferation. The article discusses Iranian obstinacy in pursuit of nuclear technology, American commitment to its Iraqi "mission impossible" and Iranian non-proliferation, and the tight global energy situation. After projecting that oil prices could reach US\$ 100 per barrel and that US armed action would meet opposition from other countries, CASH advised its readers to: avoid holding U.S. dollars; load up on Euros; buy precious metals; expect volatile markets; and invest in stocks defensively, preferring those paying high dividends and avoiding any sensitive to economic cyclical downturns. The journal's overall perspective was quite pessimistic, expecting high uncertainty, great international tension, and a sinking US currency, with global growth taking a downturn.

Belgian firms seek profit overseas

[12. \(U\)](#) A Flanders Business School "corporate entrepreneurship" study indicates that investments by Belgian companies in subsidiaries abroad perform better than comparable investments made within Belgium. The analysis by Flanders Business School professors Bruno Tindemans and Stefan Stremersch notes that big Belgian enterprises founded 60 percent more subsidiaries in 2003 than ten years earlier in 1994, of which the majority were foreign subsidiaries. Creation of domestic subsidiaries declined by 43 percent over the decade. The choice between domestic expansion and expansion abroad is significant, implying capital investment, jobs and economic productivity. Tindemans and Stremersch found that Belgian domestic subsidiaries recorded low profits compared with the foreign subsidiaries.

[13. \(U\)](#) While strong profitability from foreign investments

can be explained in part by better access to manufacturing materials and markets for some products, the lack of profitability crosses all sectors. It cannot be attributed to Belgium being a "mature market," as Belgian foreign direct investment often is in other developed countries. The conclusion points toward a Belgian investment climate that does not facilitate growth and profitability of young enterprises.

Belgian workers more productive, but more expensive

14. (U) A PriceWaterhouseCoopers study found that Belgian productivity compared well to the EU average, with an average 240,000 euro turnover generated per Belgian worker per year compared to other Western Europeans (169,000 euros) and much better than their colleagues in Central and Eastern Europe (59,000 euros). However, that productivity is still lower than that of companies and workers in the United States (260,000 euros). What's more, U.S. companies achieve that level at a cost of 181,000 euros per worker. In Belgium, the cost is a whopping 237,000 euros, virtually obliterating the employer's profit on the labor factor. The study's results also verified what many in the business community already believed: Belgian salary costs surpass the European average by 32 percent.

15. (U) Press reports emphasized the study's finding that Belgian employees get less job-related training than other EU workers. Belgian workers receive 16 hours of training per year compared to the 24 hour EU average, and only half that of Scandinavian countries (30 hours). There is also a 20 percent gap in investment in human capital: Belgian firms spend 570 euros per employee on training annually, versus 704 euros, the European average. According to the study,

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training in Belgium costs 25 percent more than elsewhere (37 euros per hour versus 29.5 euros European average) due to the smaller size of companies and the linguistic divisions, which do not permit economies of scale. Analysts posited that the already high employee costs in Belgium encourage management to skimp on additional training expenses.

16. (U) Given the findings of the training study, a PricewaterhouseCooper human resources expert predicted 4 to 10 percent growth in off-shoring in Belgian industry over the coming three years, as some jobs move to lower wage environments. This forecast comes as bad news to the Belgian government, already fearful of globalization and trying to create more employment.

Turning the Black Economy White

17. (U) One Belgian federal program has proven successful at creating jobs - at a cost. In 2005 the "service-checks" program pulled 29,000 domestic and other service workers into the official economy from the off-the-books job market or unemployment. The government subsidizes employers with a 21-euros-per-day check in return for having the worker registered and thus tapped for the obligatory social services fees and contributions. 85 percent of the workers brought in to legitimate status by the program declared they are pleased with the program; only 14 percent left the program during the year. Government objectives - engaging 25,000 in the program by 2007 - were far exceeded, and unemployment was reduced by 12,400 persons across the three regions. The major downside: the program cost 210 million euros, about 7,000 euros per worker. Some analysts suggest that reintegrating workers into the formal sector and getting more contributions to the social welfare programs will, over the long term, make the service-checks system a worthwhile investment.

Rich Belgium Still has Poverty

18. (U) Belgium's high income is unevenly spread. Despite being among the richest of developed countries (GDP per capita of 35,700 euros) some in Belgium still suffer poverty. According to recent government data, 15 percent of the Belgian population lives below the poverty line, defined as monthly income less than 775 euros. Without the dense net of Belgian social services (food subsidy, income assistance, pre-pension assistance, socialized healthcare) far more of the population, reportedly over 40 percent, could fall into this category. This group also suffers indebtedness, in contrast to Belgium's legendary saving and investing mentality.

Flemish Trade Balance in the Red

19. (U) In 2005, Flanders exported 171.6 billion euros worth of goods, an increase of 8.4 percent over 2004. This figure was more than offset by a 16.3 percent increase in imports to 175.9 billion euros, causing the 2004 surplus of 7 billion euros to change into a 4.3 billion deficit. The main reason for this deficit is the significantly higher price paid for oil imports from Rotterdam into Antwerp, causing a doubling of the regional deficit with the Netherlands. While Flanders remains the foreign trade heavyweight within Belgium, with 80 percent of all exports and 85 percent of all imports, at the moment Wallonia's trade surplus of 10.9 billion euros more than offsets the Flemish trade deficit.

"Self Check-Out" tested by Belgian Grocery Stores

110. (U) Self Check-Out (SCO) has arrived in some Belgian grocery stores. In March, grocery store Woluwe de Cora launched a test program in a Brussels suburb using four "U-Scan" machines. SCO allows customers to scan and pay for groceries themselves using machines that read product bar codes and accept payments in cash or cards. A human cashier supervises the stations to ensure that the machines function properly and that the clients pay. Given the relatively high cost of employing cashiers in Belgium (who earn 10-21 euros per hour versus the U.S. average of \$6.50), other Belgian grocery stores are also offering or plan to offer SCO. SCO is utilized currently for about 20 percent of all transactions, mostly by people buying less than 10 items.

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For those who prefer shopping the old-fashioned way, store officials assure customers that human cashiers are still an option, at least for now.

Belgian Company Goes Far with GPS

111. (U) Next time your GPS gets you to your destination, you may have a Belgian to thank for it. Tele-Atlas, based in Ghent, is one of the two companies in the world responsible for most of the digital mapping that makes the GPS work. Belgian CEO Alain De Taeye says the business is quite capital intensive; only his company and an American competitor, Navteq, have survived the industry shakeout. Tele-Atlas employs 2400 persons, of which 1000 are in India. The firm is 20 years old, and stands to profit considerably (after years of losses) as GPS systems in automobiles and elsewhere are increasing by 15 percent annually. (The company is now quoted on Frankfurt and Amsterdam stock exchanges.) Much of the world has yet to be digitally mapped, De Taeye says, including much of Russia, China and South America. Tele-Atlas follows another notable Belgian in cartography: In the 1500s, Gerardus Mercator developed the system for mapping the round world on a flat surface (the Mercator projection) that is still used today.

Belgium Major SPAM Exporter?

¶12. (U) According to data from U.S. anti-virus security vendor Symantec, approximately four percent of all spam in the world comes from Belgium. That Belgian figure is remarkable because large neighboring countries like France and Germany are responsible for only two percent of the spam. Symantec is the world leader in the fight against spam, and claims it intercepts sixty percent of all spam-attacks. The fact that those spam messages are spread from a computer in a particular country does not mean that the sender is located in that country. The high Belgian figure can be explained with the existence of "bot networks" - i.e. computers contaminated by hacker software - in Belgium, and by Belgium's high level of broadband connection rates to the internet. (Mis)use of Belgian internet capability has to be kept in perspective: the United States remains the spam champion, reportedly generating 56 percent of the world's spam.

A Flemish House in New York

¶13. (U) According to Flemish regional "Minister of Foreign Affairs" Geert Bourgeois, a Vlaams Huis (Flemish House) will be established in New York by 2008. Bourgeois (a member of the NVA, a moderate Flemish nationalist party) made the announcement during a trip to the South Seaport Museum in New York in April celebrating Antwerp's Red Star Line exhibit, which chronicles the immigrant ties between the two countries. The purpose of the Flemish House is to promote Flemish culture, economy and tourism and improve the region's relations with the US. There is talk of the Flemish tourist office and/or the Consulate General for Belgium sharing a building in Manhattan with the Flemish House to improve efficiency and collaboration. Bourgeois seeks a public-private partnership; the Port of Antwerp has expressed interest. No official funding has yet been approved, but regional officials have expressed optimism that they will get legislation authorizing and funding the project by the end of the year. Bourgeois expressed the hope that the House will attract leaders in Flemish trade, investment and cultural and offer programs enhancing Flanders' visibility. Other Flemish cultural houses exist in The Hague, Paris, London, Berlin, Vienna, Pretoria, and even in Brussels (representing to the EU).

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